

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 917 – HB 1011

April 6, 2015

SUMMARY OF ORIGINAL BILL: Requires a record of delivery of alcoholic beverages or beer by a licensed retailer to include the signature of a person 21 years of age or older who was responsible for receiving the delivery.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (005878): Deletes all language after the enacting clause. Authorizes, beginning on July 1, 2015, a delivery service that delivers prepared food from restaurants to customers to deliver sealed packages of alcoholic beverages or beer or both if: the amount of alcoholic beverages and beer delivered to a customer does not exceed one gallon per delivery; at least 50 percent of the delivery service's gross sales come from the delivery of food products or prepared food; any delivery service employee who delivers alcoholic beverages or beer is 21 years of age or older; the delivery service and delivery service employees are licensed by the Tennessee Alcoholic Beverage Commission (ABC); the delivery service has a written agreement with the retailer to deliver the retailer's alcoholic beverages or beer to customers; and a valid, government-issued document is required to be shown by a customer to the delivery service employee. Authorizes a delivery service to charge a fee to customers when delivering such products. Requires any such delivery service to be licensed by the ABC and pay a one-time, nonrefundable \$300 fee, and an annual license fee of \$150. Requires each delivery service licensee to conduct, or have a third party conduct, a local and national criminal background check on any potential employee that seeks to be licensed by the ABC to deliver alcoholic beverages and beer to customers. Requires each individual applying for a license to deliver alcoholic beverages and beer to customers to pay a fee of \$50 to the ABC, and establishes that such license shall be valid for a period of 5 years.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue – Exceeds \$7,300/FY15-16/ABC Fund

Exceeds \$7,100/FY16-17 and Subsequent Years/ABC Fund

Exceeds \$1,000,000/FY15-16 and Subsequent Years/General Fund

Increase Local Revenue – Exceeds \$500,000/FY15-16 and Subsequent Years/Permissive

Assumptions for the bill as amended:

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- At least five delivery services licenses will be issued in the first year and three per year thereafter. There is an initial application fee of \$300 for these entities and a recurring annual license fee of \$150, payable to the ABC Fund.
- The increase in state revenue to the ABC Fund for FY15-16 is estimated to exceed \$2,250 $[(5 \times \$300) + (5 \times \$150)]$.
- The increase in state revenue to the ABC Fund for FY16-17 and subsequent years is estimated to exceed \$2,100 $[(3 \times \$300) + (8 \times \$150)]$.
- There will be at least a hundred employees licensed each year to deliver alcoholic beverages and beer to customers. There is a \$50 fee payable to the ABC for each five-year license.
- The recurring increase in state revenue to the ABC Fund is estimated to exceed \$5,000 $(100 \times \$50)$.
- The total increase in state revenue to the ABC Fund is estimated to exceed \$7,250 $(\$2,250 + \$5,000)$ in FY15-16, and exceed \$7,100 $(\$2,100 + \$5,000)$ in FY16-17 and subsequent years.
- Based on the FY13-14 alcohol and wine tax collections, and assuming reasonable growth rates in such collections, and further assuming that 75 percent of such collections are for sales of beverages in liquor stores, FY15-16 alcohol tax collections, under current law, are estimated to be \$31,875,000 and wine tax collections are estimated to be \$9,750,000, for a total of \$41,625,000. Of this amount, \$33,243,716 would be the state portion and \$8,381,284 would be the local portion.
- The proposed legislation as amended is estimated to result in a recurring increase in alcohol tax collections of at least one percent, or \$416,250 $(\$332,437 \text{ state revenue; } \$83,813 \text{ local revenue})$.
- Based on the FY13-14 state sales tax collections from liquor stores, and assuming reasonable growth rates in such collections, FY15-16 state sales tax collections are estimated to be approximately \$56,673,204 and local sales tax collections are estimated to be approximately \$23,126,796.
- The proposed legislation as amended is estimated to result in a recurring increase in sales tax collections of at least one percent, or \$566,732 for the state and \$231,268 for the local government.
- The total recurring increase in state revenue to the General Fund due to the increased sales of alcoholic beverages is estimated to exceed \$899,169 $(\$332,437 + \$566,732)$; the total recurring increase in local revenue is estimated to exceed \$315,081 $(\$83,813 + \$231,268)$.
- There would be additional increases in state and local tax collections as a result of increased beer sales.
- The total recurring increase in state revenue to the General Fund as a result of this bill as amended is estimated to exceed \$1,000,000; the total recurring increase in local revenue is estimated to exceed \$500,000.
- No additional personnel or resources will be required by the ABC.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is written in a cursive, flowing style with a large initial "J" and a long, sweeping underline.

Jeffrey L. Spalding, Executive Director

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